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CENTRAL INTELLIGENCE AGENCY

5 March 1956

MEMORANDUM FOR INTELLIGENCE ADVISORY COMMITTEE

SUBJECT: Validity Studies of NIE 76, PROBABLE DEVELOPMENTS IN EGYPT, and of the Egyptian section of NIE 36-54, PROBABLE DEVELOPMENTS IN THE ARAB STATES, in the light of NIE 36.1-55, THE OUTLOOK FOR EGYPTIAN STABILITY AND FOREIGN POLICY, approved on 15 November 1955

1. NIE 76, published 25 March 1953, was a short-term estimate of the outlook with respect to: (a) the new RCC regime's prospects for remaining in power; and (b) the UK-Egyptian negotiations over the Suez Canal Zone. It was sound in its key domestic estimates -- that the RCC was capable of coping with internal problems in the short run; but that Egypt would remain a basically unstable country in which internal reform would be difficult, the economy dependent on fluctuations of the world cotton market, and the pressure of population on limited resources heavy.
2. NIE 76 correctly noted that factional divisions within the RCC might increase, but did not specifically anticipate Nagib's later split with the RCC.
3. The estimate did not attempt to predict the outcome of the Suez negotiations, contenting itself with an assessment of the implications of success or failure of these efforts. The estimate of the results of successful negotiations was generally accurate, although it incorrectly assumed that a Suez settlement would be part of a broader agreement involving Egyptian commitments regarding participation in a regional defense organization.

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4. Egyptian section of NIE 36-54. This estimate, dated 7 September 1954, still appears valid with regard to its forecast that the RCC had favorable short-term prospects for retaining power, but that its long-term control (and stability in Egypt) would depend on the solution of serious political and economic problems. NIE 36.1-55 repeated the judgment in this estimate that the regime's economic reform and development program -- including the High Aswan Dam -- is not likely significantly to raise the Egyptian standard of living, and in the short run at least is unlikely to prevent a decline in that standard.

5. NIE 36-54 failed to anticipate the success of the regime's stern suppression of opposition groups, particularly its apparently effective crackdown on the Moslem Brotherhood. The estimate accordingly tended to exaggerate the troubles which the Wafd Party and the Brotherhood (with Socialist and Communist aid) would be able to make for the RCC in the short run.

6. Like NIE 76, this estimate did not examine the conditions under which Egypt would accept military aid from the US and in consequence did not face up to the probable Egyptian attitude toward the US in the event that agreement on arms aid was not reached. Similarly, while the estimate pointed out that Egypt would seek to influence Western arrangements with other states of the area so as to promote Egyptian leadership, it did not explore the likely consequences of Western actions contrary to Egypt's wishes on this point.

7. The sharp increase in Egyptian-Israeli tensions which began in early 1955 altered the situation described in this estimate, viz., that Egypt has less direct interest in the Arab-Israeli problem than other Arab states, and would be likely to become less intransigent after settlement of the Suez controversy.

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8. Both of these estimates allowed for the possibility of Egypt turning to the Bloc for trade or arms but did not anticipate more recent Soviet tactics in pressing trade and arms assistance on Middle Eastern and other underdeveloped states.

9. This matter will be placed on the agenda of the next IAC meeting.

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